SUBJECT: Sale of City Lands, Flamborough Industrial Park, Innovation Drive to SFS Intec Inc. (PED06161) (Ward 15)

RECOMMENDATION:

(a) That an Offer to Purchase, executed by SFS Intec Inc. on April 27, 2006, and scheduled to close on or before August 21, 2006, for the purchase of the City owned vacant industrial lands known as part of Lot 25, Concession 3 in the former Township of West Flamborough, being designated as Parts 3 and 4 on Plan 62R-15372, (as shown on Appendix “A” to Report PED06161) comprising an area of 1.13 hectares (2.81 acres), be approved and completed.

(b) That the funds from this sale, as outlined in sub-section (a) above, of $618,200 be credited to Account No. 47702-3629107008 (Flamborough Industrial Park – Tech Park). As the sale price does not include the Goods and Service Tax, should the GST be applicable and collected by the City, the GST amount is to be credited to Account No. 22835-009000 (GST Payable).

(c) That the required deposit cheque, in the amount of $61,820, be held by the General Manager of Finance and Corporate Services pending approval of this transaction.

(d) That as a condition of the Offer, the Purchaser is permitted access to the subject property and the Purchaser is allowed 30 days following the acceptance of this Offer to undertake an environmental audit and other reviews of the suitability of the subject property. Should the environmental condition or other results of the
investigations not be satisfactory to the Purchaser, the Offer shall become null and void.

(e) That the Mayor and Municipal Clerk be authorized and directed to execute and issue a Certificate of Compliance in the form prescribed pursuant to Section 268 of the Municipal Act, incorporating the following:

(i) That on May 16, 1995, Regional Council approved Item 4 of Report 6-95 of the Finance Committee declaring the subject lands in the Flamborough Industrial Park surplus to the requirements of the Region of Hamilton-Wentworth.

(ii) That in accordance with the approved method of providing notice in the City of Hamilton By-law No. 04-029 “Procedural By-Law for the Sale of Land”, notice has been given to the Public with a City of Hamilton “For Sale” sign on the subject lands for at least the minimum seven-day period starting on April 6, 2005 and by the posting of a sale notice of the subject lands on the City of Hamilton Real Estate website.

(iii) That the sale of the subject industrial lands fall within the class of properties that is exempt for the requirement for an Appraisal under Section 8 of the City of Hamilton By-law No. 04-029 “Procedural By-law for the Sale of Land”.

Lee Ann Coveyduck
General Manager
Planning and Economic Development Department

EXECUTIVE SUMMARY:

This report is to provide staff direction to confirm the transaction with SFS Intec Inc. for the sale of a parcel of industrial land in the Flamborough Industrial Park (Tech Park), as stipulated in the subject Offer to Purchase.

BACKGROUND:

This recommendations contained within this report have City-wide implications, but primarily affects Ward 15 – Flamborough.
The subject property, located at the south west corner of Highway #6 and #5, in the former Town of Flamborough, consists of 1.13 hectares (2.81 acres) of industrial zoned lands in the City of Hamilton owned “Flamborough Industrial Park”. The subject sale represents the last parcel of vacant land in this Park.

As a covenant of the Offer from SFS Intec Inc., the company is required to commence construction of a minimum 2,323 square metre (25,000 square foot) building within one (1) year of the closing of the subject land purchase and complete the building two (2) years following the closing of the purchase. Should the company not comply with these building covenants, the City has the right to repurchase the subject lands at the original purchase price less the deposit amount, less arrears of property taxes, and less other costs incurred in the retaking of the subject lands.

The offer is conditional upon the purchaser completing an environmental review and other investigations of the subject lands to determine the suitability of the property for the construction of the intended industrial building. Should the results of the analysis not be suitable to the purchaser, then the Offer is null and void.

SFS Group is headquartered in Switzerland and is the global leader in the development and supply of engineered precision components and fasteners in the automotive, architectural hardware, electronics, aircraft and tool manufacturing industries. The company has plants in 30 locations in Europe, Asia and North America with 4,000 employees and annual sales in excess of a billion dollars.

The Hamilton plant would be the Canadian headquarters for SFS as the company would be moving from the current Oakville location, bringing more than 30 employees to the new site. The first phase would comprise 25,000 square feet with Phase 2 having an additional 11,000 square feet of manufacturing space. Long term it is expected that the company would be doubling the present employment level to approximately 70 people.

The proposed higher quality exterior/interior finish of the building and landscaping of the lot would be consistent with the high-tech nature of the business to be located on the subject lands. It is estimated that a minimum of $140,000 to $170,000 of property taxes will be paid annually as a result of this development.

The proposed sale price of $542,750 per hectare ($220,000 per acre) is much higher than what the City has accepted in this and other City Industrial Parks. These values reflect the current scarcity of shovel ready serviced industrial lands in the Hamilton area. SFS is typical of the demand received by Economic Development staff and the need for more employment land to capitalize on the migration of business westward from the GTA.

These lands only became available after the recent successful City Of Hamilton litigations to repurchase the 2.8 acre lot. The previous owner - 542177 Ontario Inc. failed to comply with their required building covenants in a timely manner and the City
was forced to proceed to Court to obtain title to the lands. The sale of the subject property to SFS is at a significantly higher price than the original land sale, it is a Canadian headquarters, provides well-paying jobs, and will see construction commencement as soon as possible.

**ANALYSIS/RATIONALE:**

Should the current offer from SFS Intec Inc. not be acceptable to City Council, staff will attempt to renegotiate the terms of the existing Offer or make the lands available for sale again and will attempt to negotiate the construction of a larger building or a higher sale price.

**ALTERNATIVE FOR CONSIDERATION:**

N/A.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

Financial: Upon the sale of the subject parcel, the lands will become taxable at the appropriate tax rate.

Staffing: N/A.

Legal: Legal Staff has reviewed the format of the Offer to Purchase document and will, if approved by City Council, complete the sale transaction.

**POLICIES AFFECTING PROPOSAL:**

N/A.

**RELEVANT CONSULTATION:**

Staff from the Development and Real Estate Division and the Economic Development Division were involved in the marketing of the subject lands and negotiated the price and terms of the Offer. The Legal Services Division has reviewed and approved the format of the Offer documents.

**CITY STRATEGIC COMMITMENT:**

The proposed sale of the subject lands meets the goal of the City to provide employment opportunities to its citizens, expand the industrial/commercial tax base, and facilitates the development of lands in the City owned Industrial Parks. The proposed sale is also consistent with the intent of both the Hamilton-Wentworth Official Plan and the former Town of Flamborough Official Plan.
By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced.  ☑ Yes  ☐ No
A City of Growth and Opportunity.

Environmental Well-Being is enhanced.  ☑ Yes  ☐ No
Municipal decision-making, land use and zoning by-law controls are in place to encourage industrial development in existing City Industrial Parks and avoid construction in new Greenfield sites.

Economic Well-Being is enhanced.  ☑ Yes  ☐ No
Investment in Hamilton is enhanced and supported.

Does the option you are recommending create value across all three bottom lines?  ☑ Yes  ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants?  ☑ Yes  ☐

VDP/NCE
Attach. (1)
Location Plan

Sale of City land
Innovation Drive, Flamborough Industrial Park
Part 3 and 4 on Plan 62R-15372
former Town of Flamborough.

City of Hamilton